



Department of Energy

Washington, DC 20585

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MEMORANDUM FOR FIELD CHIEF FINANCIAL OFFICERS

FROM:

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AND EVALUATION/CHIEF FINANCIAL OFFICER

SUBJECT: Raising the Capitalization Threshold

Statement of Federal Financial Accounting Standards No. 6, Accounting for Property, Plant, and Equipment, provides each Federal agency flexibility to set its capitalization threshold based on its own financial and operational conditions. Under these guidelines, the Department will increase its capitalization threshold from \$25,000 to \$50,000, effective October 1, 2005.

The decision to raise the threshold was made based on a survey conducted by my office in response to a request from the Financial Management Systems Improvement Council to raise the threshold. Results of the survey indicate the increased threshold will reduce administrative costs and provide greater flexibility in property acquisitions. Survey responses also reveal the impact to the net book value of property, plant, and equipment reported in the financial statements is expected to be minimal.

The increase in the capitalization threshold does not apply to the Power Marketing Administrations, which follow industry practices for capitalization purposes. Further, the increase in the capitalization threshold does not impact the threshold, currently set at \$5,000, for physical accountability/control of property.

This guidance governs new property acquisitions starting in FY 2006. Thus, property acquired prior to the implementation date should not be written-off the books.